



# Guttman Insights

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*Eileen Morgan is vice president of human resources for Delaware North Companies, a global hospitality and food service company and one of the most admired privately held companies in the world, with more than 60,000 employees operating more than 200 venues on four continents, serving half a billion customers.*

## What makes Delaware North stand apart?

Our culture is unique; our financial strength allows us to focus on providing high-quality hospitality experiences; and we're privately held, which lets us focus on long-term outcomes and partnerships with clients and guests.

## Can you say more about the culture at Delaware North?

There's a strong belief in customer service. We treat customers as partners and build solid relationships with them. If, say, the managers of a contract at a baseball stadium need to change our contract, we'll do all we can to support that change. We're about both sides winning. Because we have a diverse portfolio, we can offer customers opportunities across platforms. For example, we can offer gaming customers the opportunity to experience a baseball stadium. We also have a tradition of empowering leaders at the local level to access resources from the larger organization to solve problems and deal with unexpected events.

## Why did your senior management undertake the high-performance journey?

Succession planning was a big motivator. Jeremy Jacobs, our chairman and chief executive officer, wanted to ensure that the next generation of leaders, namely his three sons, will work effectively as a high-performance team.

In this issue, Delaware North's Eileen Morgan discusses succession planning in a family-owned business. Howard Guttman tackles the illusive subject of organization culture change, and Thom Radice reveals how one leader turned a blind spot into an "ah ha!" and vulnerability into strength. All this in a five-minute read.

## In This Issue

- 01 Leader's Corner: Delaware North's Eileen Morgan on Succession Planning
- 04 Toward a Horizontal, High-Performing Culture
- 06 From a Consultant's Notebook



## Leader's Corner: Delaware North's Eileen Morgan on Succession Planning

It's one thing to sit together as a family at the Thanksgiving dinner table; it's quite another to work together as high-performance players in a complex, growing enterprise, in which revenue and the number of employees have doubled in the past 10 years.

### **Were there issues that needed to be resolved beyond the four principals?**

We tended to be siloed. The feeling was that just as competition on the playing field was healthy, it was also so in our organization. If the Airport Division competed with, say, the Sports Division, both would perform better. Conflict wasn't so much hidden as avoided. We were very collegial. There was a "Let's agree to disagree" and "You do your thing, I'll do mine, and let's stay out of each other's way" mentality.

### **When did the thinking begin to shift?**

In the past eight or so years, we've become aware that leveraging our capabilities by collaborating and sharing information and resources across the enterprise would make us more competitive vis-à-vis the outside world. We wanted to focus more on external, not internal competition. And we began to feel that healthy conflict was critical to success.

### **When did the high-performance process start?**

It started in 2008. The process first included just the three brothers and used an integrated approach that involved team alignments, coaching, and skills transfer, along with real-time application and practice. Once the brothers were comfortable leading as a high-performance, horizontal group—and that took about 12 months—the process broadened.

### **Was Jeremy Jacobs, the company chairman, involved in the process?**

No, though he totally supported the approach. His aim was to build the performance muscle of the next generation of HP leaders.

### **Did you notice any behavior change in the three brothers after they went through the process?**

There was a noticeable shift from taking individual positions on issues and resolving differences by "agreeing to disagree" to really working through issues and behaving as a united team, thinking through objectives, debating the pluses and minuses of different alternatives, along with the risks involved, and coming to a unified decision.

### **How did the HPT process unfold beyond the owners?**

We next involved the president of Delaware North in an alignment session with the three brothers. Then, on the next level down, the direct reports to the president—the Strategic Planning Council—went through the process. This included the five operating company presidents and the leaders of our staff functions. The three brothers remained involved as we cascaded the process down through the organization.

### **Was there a noticeable before-and-after change in how the Strategic Planning Council behaved?**

They acted more confidently, with greater comfort putting issues on the table, bringing forward things that needed to be discussed. There was greater comfort talking through the issues, less underground behavior, and a willingness to hold one another accountable for getting results. Challenge and accountability became a form of collaboration, not its enemy.

### **Has the high-performance process gone below the Strategic Planning Council?**

Over the years, we've shared the HPT process with the next levels down. Our aim went beyond awareness to real-time behavior change. For example, in 2010 we brought in the Guttman team to do an overview of HPT for 80 or so managers, as a preliminary to the strategic-planning process. During the session, the managers were divided into subteams, with a Strategic Planning Council leader assigned to each.

This way, the leaders could role-model the best high-performance practices as the subteams grappled with the issues related to implementing the strategy. It was a kind of action-learning situation. Then, this past year, we had a more targeted meeting with the managers, aimed at embedding high-performance behaviors into day-to-day practice. Howard Guttman led a session around high-performance concepts and their evolution at Delaware North. We conducted surveys to discover—and close—gaps between high-performance behaviors and reality. We are now moving to skill building and are about to develop the next 150 people in our organization.

**How did you make sure that leadership development avoided the usual “butts in seats” syndrome?**

For one, it was tied closely to the alignment process. Also, we conducted surveys of the members of the SPC to pinpoint where they needed support to operate horizontally and as high-performance players. It was leadership skill development, driven by individual self-awareness. And there was a sense of clear accountability, with everyone expected to perform horizontally and hold one another, the team, and the leader accountable for doing so.

**Did you do anything to modify or change the performance system to support the high-performance model?**

We enhanced and aligned our systems, processes, and our compensation system to align them with the model. For example, we built in expectations and rewards that reinforced contributing across the enterprise and not just to individual and functional success. We put greater emphasis on measuring contributions to the overall success of the business. For example, now the president of the Sportservice is rewarded for spending time helping the president of Gaming & Entertainment to resolve a marketing issue.

**As you look back on your experience building HPTs, what’s your advice to other executives?**

Practice is key. Alignment and skill building are tools. Applying what you learned to the heat of the business is what makes the difference. Reinforcing high-performance behavior is also essential. If I see one of my peers practicing HPT concepts during a meeting, I often will recognize him or her for role-modeling high-performance behavior. ●



## Toward a Horizontal, High-Performing Culture

by Howard M. Guttman

Culture-change: It's the kryptonite of organizational life, capable of defeating even the steeliest Alpha leaders who undertake it. Recent case in point: Ex-Apple executive Ron Johnson, who was recently fired as CEO of J.C. Penney. What happened at Penney, as *Fortune* magazine tells it, "is a saga with a swirl of overlapping forces. It stars a charismatic leader bent on radical change and features a failed attempt to Apple-ize Penney, a mission that ended up being every bit as crazy as it sounds."

Culture is a subtle but powerful force. It influences, if not determines, perceptions, behaviors, and even our instincts. Its grip is analogous to the impact of collective memory on the red deer of Germany, who, more than 20 years after the fall of the Berlin Wall and electronic fences, refuse to cross the old dividing line. As the Wall Street Journal reported, fear of being electrocuted has become a herd instinct.

Organization culture hard-wires behavior in a similar way. The culture that evolves within a hierarchical organization, with high value placed on chain of command, positional authority, functional self-interest, and the like, impacts everything from how decisions get made to how conflicts get resolved to how people interact cross-functionally. All this becomes embedded in the organization's collective memory, which defines "how things really are" and drives behavior for everyone.

This makes moving to a horizontal, high-performance model counterintuitive and a tough challenge. The model does away with the top-down, hub-and-spoke approach. It distributes decision making across functions, turns the notion of accountability on its head, and operates on the basis of transparency. The cultural values here favor empowerment, openness, enterprise thinking, confronting issues head-on, and cross-functional interdependency.

### Organization Culture Change: The Golden Rules

In the 25 years that we've worked to shift organization culture to a horizontal, high-performance one, we've followed three golden rules. First, the top leader must "get it." Period. Second, the top two tiers of the organization hold the key to change. Shift the culture and behaviors here and others will follow. This assumes that the players at these levels are coachable. Third, forget trying to change culture by mandate or "rah rah" initiatives.

Better to begin the change process with a hands-on, transformative event around which the new culture and behaviors can take shape and take hold.

If you treat the move to a horizontal, high-performance culture as an initiative or HR intervention, it is unlikely to succeed. This is about changing organization reality: how everyone shows up, performs, wins, and is rewarded. It is up to the leader to put forward a solid business case for the change and a clear and compelling vision of the end game: Where are we headed?

What's the end game? How will things be different and better? What's in it for me?

Team alignment sessions are the kind of transformative events needed to trigger horizontal, high-performance culture change. They are the ultimate action-learning experience—providing the top leadership team with a self-assessment of the current actual; a common context, structure, and shared understanding of horizontal, high-performance management; and an opportunity to work on live issues in real time to begin the process of internalizing the new norms, values, beliefs, and behaviors. Evolving from the alignment sessions are team and individual coaching and leadership skills transfer to ensure that the change takes hold. Once it does—and only then!—it's time to cascade the process in careful sequenced steps to the next leadership levels.

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## Four Keys to Horizontal, High-Performance Culture Change

Team alignments, along with leadership coaching and leadership skill development—what we term the integrated approach to culture change—aim at shifting four elements that are essential for bringing about a horizontal, high-performance culture:

*Mind-set shift.* Here's the key question to answer: What does winning mean? In hierarchical organizations, it means winning for my "patch." In a horizontal, high-performance environment, winning entails being at stake not just for individual and functional success, but for the success of the team, its leader, and the enterprise. This significantly broadens the notion of accountability. Behaviorally, this means willingness to support, coach, call out, and confront peers and leaders for the good of the team and enterprise. It means abandoning the perennial resource-allocation blood sport and thinking first about what's best for the enterprise. No question, the mind-set shift is difficult to achieve and tests the ability of leaders to enroll their team in making the transition.

*Skill-set shift.* You need the right set of tools to play at a horizontal, high-performance level. For example: how to influence without authority, manage conflict, give and receive feedback, listen actively, and lead by being player centered. These must not only be learned but applied and internalized and cascaded across and down the organization.

*Shift in ways of working.* The horizontal, high-performance environment requires ground rules for engaging those around you in the conduct of day-to-day business. How do decisions get made? How do issues get resolved? How do we behave in meetings? How do we manage conflict? How do we communicate up, down, and across the organization? Think of ground rules or protocols as the foul lines of horizontal, high performance. They demarcate which behaviors are in bounds and which are not.

*Shift in the stakes.* It's unlikely that change will take hold when there are no consequences in place to support the change. Something must be on the table, either from a performance management or a compensation standpoint, so that people are rewarded when they play the horizontal, high-performance way and held accountable when they do not. This required nothing less than revamping the reward structure to support the desired behaviors.

## The Leadership Imperative

A committed leader is the driving force of culture change. The leader must be convinced that the horizontal, high-performance model is not only the best way to do business—it's the only way. We once worked with a CEO who led a company that had recently merged with a fierce competitor. At the outset of an alignment session of his top team, which included executives from both companies, a participant voiced a concern that the high-performance approach required trust, which would be impossible to achieve, at least in the short run, given the historical rivalry. "How much time do we have for trust building?", the participant asked. The leader looked at his watch and responded, "You have until 5:00 p.m. today." He went on to explain that everyone on the team was being paid to trust one another, because that's what the horizontal, high-performing approach required—and buying in to the approach was not optional.

The leader must be the role model of the new order. For leaders used to working hierarchically, this can be challenging. Imagine the typical hierarchical leader doling out Starbucks's gift cards—as one high-performance leader did—to colleagues who gave him feedback. This leader wanted to demonstrate that feedback was a gift. Or imagine the typical hierarchical leader taking pride in the fact that on his or her team it's difficult to identify the leader. That's because everyone is.

It takes a leader with high EQ to be a successful carrier of horizontal, high-performing culture. It's about enrolling others, getting them to see what horizontal, high-performance leadership is about, what the business rationale is, and what's in it for them.

## End Note

Culture change need not be a high-risk experience for senior leaders. Those executives who have led the transformation to a horizontal, high-performing culture have found the change to be an empowering experience that leverages their capabilities and the capabilities of those around them, builds solid and authentic business relationships, and delivers rapid results and lasting value, time and again, to their organization. 🌍



## From a Consultant's Notebook

### Thom Radice

*Here are field notes from an intervention led by Guttman Associate Senior Consultant Thom Radice.*

#### Presenting Situation

International operations unit of a multinational manufacturing company faced a paradox...Command-and-control leader was a hard-charging, results-focused individual, which contributed to the team's extraordinary success, yet team members dejected, even humiliated, when leader called them out publically...Created wariness. Engaging the leader was high risk...He interrupted, challenged, belittled...Morale low, especially among Asian and Latin American team members...Little engagement...Team members triangulated and weren't straight with one another...Sought to curry favor with the leader...Leader faced debilitating physical challenge requiring surgery...How long could he keep up the hectic pace of his "me-centric" approach?

#### Charter for Guttman

Leader wanted his team to be more direct and open, dismantle misperceptions, eliminate triangulation...Felt this fit his style, given fact that several team members were direct with him...But he realized that his highly combative style wasn't working for everyone on his team. Changes were needed.

#### Process

Pre-alignment data collected from team-member interviews revealed rampant triangulation, team members' lack of comfort in team meetings, fear of being humiliated...Team uncertain about how and where to be interdependent...Tendency to think in silos rather than for the enterprise. Given issues with leader and team's behavior, consultant employed a gradual approach to gain a three-dimensional understanding of individual players and their values. Used the "windowpane exercise" to do so...Asked a range of questions: Who is the most influential person in your life? What is a pet peeve? How do you prefer to handle conflict? What one attribute do you bring to the team? etc. Team members were also asked to assess—and were given feedback on—the degree to which they were candid and receptive to others on the team.

#### Results

Real breakthrough occurred vis-à-vis leader...Feedback revealed leader's blind spot...Leader got full picture of why his team avoided him and preferred hiding out...Big surprise to him...He was concerned that his behavior caused pain... Showed great vulnerability...Even welled up with tears...When leader reflected on his receptivity to feedback, he realized that contrary to his self-perception, he needed to make significant changes...Began to demonstrate that he is receptive and does care...Team members now more comfortable stating what's on their mind...Team members energized and stepped up to add details about leader's behavior...Team members got to realize how much leader cares and how committed he is to shifting his behavior. Trust skyrocketed...Team members felt connected...No longer guarded.

#### Key Insights

Leaders are often about protecting themselves and not appearing vulnerable, which they misinterpret as weakness. A leader's vulnerability can create palpable positive energy to move a wary team forward. As a consultant, don't get locked into a preset agenda...Be present with the team, move with its energy, and make necessary adjustments. ●